



NEIL ABERCROMBIE
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**TESTIMONY OF
AARON S. FUJIOKA, ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE
HOUSE COMMITTEE ON FINANCE**

April 20, 2012

3:00 PM

SCR 40, SD 1

REQUESTING THE RENAMING OF AND THE EXTENSION OF THE PROMPT PAYMENT TASK FORCE TO DEVELOP RECOMMENDATIONS TO ADDRESS ISSUES THAT AFFECT PROCUREMENT FOR GOODS AND SERVICES PURCHASED THROUGH NONPROFIT ORGANIZATIONS, INCLUDING HUMAN SERVICE NONPROFIT ORGANIZATIONS THAT DELIVER PIVOTAL GOODS AND SERVICES TO INDIVIDUALS, FAMILIES, COMMUNITIES, AND OTHER SMALL BUSINESSES.

Chair Oshiro, Vice-Chair Lee, and committee members, thank you for the opportunity to submit comments on SCR 40, SD 1. The resolution is requesting to rename the prompt payment task force to the government contracting task force, and to extend its existence to December 31, 2012.

On page 3, line 35, (1) "Examine state contracting and procurement issues from the initial contract phase through service delivery, and issues relating to payment when invoices are submitted." The initial contract phase through service delivery and payments are subsequent to the procurement process; therefore, delete "and procurement issues". The resolution's listed tasks and the recommendations to address the issues reside at the departmental level. The procurement process is used to implement the departmental policy decisions. The tasks to be undertaken are part of (1) the overall planning process which takes place prior to the procurement being conducted, and (2) contracting issues occur subsequent to the procurement.

On page 3, line 36 replace "contract" with "planning" because the issues raised with the task force are about: scope and unit rate of service, method of payment and payment process, level of funding, population served, geographic area, performance outcome measurements, term of contract, evaluation criteria, etc. are all determined in the department's "planning phase" and subsequently included in the procurement process. The department's policies are determined at the planning phase, the procurement process is used to implement these departmental policy decisions.

On page 3, line 40-43 we suggest Department of Accounting and General Services and the Department of the Attorney General be added.

On page 4, line 5-6 replace "streamline the procurement process" with "streamline the contracting process". Thank you.



April 19, 2012

Marcus Oshiro
Chair, Committee on Finance
Hawaii State House of Representatives
State Capitol, Room 308
Honolulu, HI 96813

**SCR 40, SD 1 - REQUESTING AN EXTENSION OF THE GOVERNMENT
CONTRACTING TASK FORCE**

Dear Chair Oshiro, Vice-Chair Lee and members of the Finance Committee:

The Hawai'i Alliance of Nonprofit Organizations strongly supports SCR 40, SD 1, which calls for a renaming of the Prompt Payment Task Force to the Government Contracting Task Force; extends the deadline for this body to provide findings; and adds the State's Chief Information Officer and a Chamber of Commerce representative to the task force. We would further request the addition of a representative from the Attorney General's office to the task force.

HANO, a task force member, is a statewide, sector-wide association for nonprofits. HANO members provide essential services to every community in the state. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i.

The task force met over five months in the latter half of 2011 and covered much ground in understanding the obstacles to prompt government contract payments to predominantly nonprofit health and human service providers.

A recent nationwide Nonprofit State of the Sector study that included Hawaii data, conducted by the California-based Nonprofit Finance Fund showed that in 2011, 69% of those polled received state or local funding, 62% said state or local contract payments were late and 65% of those experiencing late payments used reserve funds to fill the gap - evidence that the problems of late payment persist and prevail.

Due to the complexity of the issue and the fact that delayed payments are symptoms of larger systemic challenges, the task force requires more time to define and understand the scope of the issue and to find solutions agreeable to all parties.

If an extension is granted, future task force discussions need to focus on the higher systemic issues that include contracting and payment processes, communication, technology, accountability, transparency, education and training, and capacity of our nonprofit providers.

The fact that many of the prompt payment challenges are technology-oriented presents an opportunity to align with the goals of the State's CIO in his effort to modernize IT, business systems, HR and financial and tax systems for state government. Thank you.

Lisa Maruyama, President and CEO, HANO

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BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

Testimony to House Committee on Finance

Wednesday, April 20, 2012

3:00pm

Capitol Room 208

RE: SCR 40. Requesting the renaming of and the extension of the Prompt Payment Task Force to develop recommendations to address issues that affect procurement for goods and services purchased through nonprofit organizations, including human service nonprofit organizations that deliver pivotal goods and services to individuals, families, communities, and other small businesses.

Good morning Chair Oshiro, Vice-Chair M. Lee, and members of the Committee:

My name is Gladys Quinto Marrone, Government Relations Director for the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, BIA-Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii **supports** SCR 40 SD1, which requests the renaming of and the extension of the Prompt Payment Task Force to develop recommendations to address issues that affect procurement for goods and services purchased through nonprofit organizations, including human service nonprofit organizations that deliver pivotal goods and services to individuals, families, communities, and other small businesses. The proposed name of this task force is the Government Contracting Task Force.

While BIA-Hawaii's members are not nonprofit, we feel obligated to continue on this government contracting task force since we were involved in the passage in 2006 of H.B. 3036 CD1, which related to prompt payment for subcontractors. We believe our role is to monitor the task force's progress, as well as to provide input that may be helpful to its success.

Thank you for the opportunity to express our views.



CS12:011T:LRS

To: The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair
House Finance Committee

From: Laura Robertson Smith, President/CEO, Goodwill Industries of Hawaii, Inc.

Date: April 19, 2012

Re: **Letter in Support of SCR 40, SD1 - Requesting an Extension of the Government Contracting Task Force**

Goodwill Industries of Hawaii, Inc. is in support of SCR 40, SD1, Requesting the Extension of the Government Contracting Task Force.

This task force was formed during the last legislative session in order to identify the key problems that nonprofits have identified in doing business with State Government. These issues include not covering full program costs, complex and time-consuming application and reporting midstream contract changes and late payments. In sitting in on several meetings of the task force it became apparent that the issues are extremely complex, and that further time is needed in order to complete a thorough review on the matter.

Goodwill contracts with the State to provide various types of Human Service programs that serve people with disabilities, people transitioning off welfare, youth at risk, those formerly incarcerated and many other people seeking employment. Our contracts with the State government are a partnership, in which we deliver a range of services in exchange for payment on a specified payment schedule.

Payment delays have many effects on us, including affecting our decisions on when to hire staff, purchase equipment, or make other financial commitments, not to mention the excessive time we spend managing our cash flow.

These issues are worthy of examination to determine why the problems exist and how best to cure them. That will help Goodwill and other nonprofits to be able to put more resources into our programs to benefit the populations we serve, and less time and energy on administration and follow up with the government agencies we contract with.

Passage of this resolution will help to assure increased financial stability for nonprofits that contract with State Government and will also lessen the financial risk for nonprofits that provide vital health and human services for the State of Hawaii.

Thank you for the opportunity to testify.